



IN RE: PETITION OF **PIONEER OIL COMPANY, INC.** FOR THE  
 INTEGRATION OF INTERESTS IN THE KLOTZ HEIRS  
 DRILLING UNITS LOCATED IN SECTION 7, TOWNSHIP 8  
 SOUTH, RANGE 13 WEST, POSEY COUNTY, INDIANA.

**PETITION FOR THE INTEGRATION OF INTERESTS**

**COMES NOW**, Pioneer Oil Company, Inc., R. R. 4, Box 142B, Lawrenceville, IL 62439, ("Petitioner"), by attorney Stephen T. Link, and pursuant to IC 14-37-9-1 and other applicable laws enacted by the State of Indiana to prevent waste and to avoid the drilling of unnecessary wells, respectfully petitions the Department of Natural Resources, Division of Oil and Gas (the "Division"), to require the integration of all interests in the oil, gas and associated hydrocarbons in and under part of Section 7, Township 8 South, Range 13 West, Posey County, Indiana, to develop the drilling units therein as a single lease. The unleased interests subject to this Petition are described in Exhibit A ("Separately Owned Interests"). The Separately Owned Interests are owned by the following parties ("Non-Consenting Landowners"):

Henry D. Hargrove III	Luke A. Klotz
William E. Klotz or his unknown successors	Kazumi I. Blackburn
Delia Klotz Davis or her unknown successors	Edward I. Blackburn
Helen L. Blackburn Shobe or her unknown successors	Sandra B. Jenson

In support thereof, Petitioner states as follows and submits and incorporates the following Exhibits:

Exhibit A: Legal Description of Separately Owned Interests  
 Exhibit B: Oil and Gas Lease Form Utilized in Project Area  
 Exhibit C: Division of Ownership Interest Spreadsheet  
 Exhibit D: Contact Report Summarizing Lease Attempts

1. Petitioner intends to acquire production permits for the drilling of wells on a part of Section 7, Township 8 South, Range 13 West, containing 80 acres, as said County was established by the Official United States Public Lands Survey by the rectangular surveying system for the State of Indiana ("Established Drilling Units"), described as follows: 10 acre quarter quarter quarter sections for sand formations and 20 acre half quarter quarter sections for lime formations.
2. Petitioner owns valid and operative Oil and Gas Leases ("Operative Leases") covering an undivided 85/120ths of the oil, gas and associated hydrocarbons underlying the leased parcels in the Established Drilling Units, which total 80 acres.

3. Ownership information pertaining to the Established Drilling Units is set out in Exhibit C.
4. The Separately Owned Interests are situated so as to constitute an integral and necessary part of the Established Drilling Units as described in 312 IAC 16-5-3c.
5. The Operative Leases contain terms which are standard in the industry and commonly utilized in the project area, including a royalty rate of one-eighth ( $1/8^{\text{th}}$ ) and a primary term of two (2) years. Landowners in the general vicinity of the Established Drilling Units are customarily compensated with a lease-signing bonus between ten dollars (\$10.00) and thirty-five dollars (\$35.00) per acre.
6. Oil and other hydrocarbons are reasonably believed to underlie the Established Drilling Units. It is also reasonably believed that oil and other hydrocarbons can be economically produced by drilling and operating wells on the Established Drilling Units.
7. Petitioner has repeatedly contacted certain locatable owners of the Separately Owned Interests and has diligently attempted to obtain an Oil and Gas Lease to cover said interests or to obtain the consent of the owners to voluntarily integrate their interests with the leased parcels in the Established Drilling Units. In addition, Petitioner has diligently but unsuccessfully attempted to identify and locate certain additional owners of the Separately Owned Interests. A Contact Report which summarizes said attempts is set out in Exhibit D.
8. Petitioner now desires to exercise its rights granted under the Operative Leases to explore for oil and other hydrocarbons thereunder. Petitioner is being prevented from doing so by the existence of the Separately Owned Interests.
9. Petitioner is prepared to pay all costs associated with the drilling and abandonment of the well or wells in the event the same are found to be dry holes.
10. Petitioner intends to drill wells on the Established Drilling Units and intends to produce oil and other hydrocarbons therefrom. Detailed plans concerning management of costs of drilling and operation of said wells can be provided to all persons desiring to participate in drilling and operation, should the Division so order.
11. The Operative Leases provide for a one-eighth ( $1/8$ ) royalty and further provide that in the event that an individual lessor owns less than 100% of the oil and gas, then the royalties to be paid to that lessor shall be reduced proportionately. Production should be allocated and disbursed to the Non-Consenting Landowners on that same basis. Exhibit C reflects such a result.
12. No surface issues are relevant since the Non-Consenting Landowners are severed mineral owners, with no interest in the surface.

13. If the Division does not require the integration of the Separately Owned Interests in the Established Drilling Units, the oil and other hydrocarbons thereunder cannot be economically and efficiently extracted, correlative rights cannot be protected and waste and the drilling of unnecessary wells will occur.

14. The Division has the right and power, pursuant to the provisions of IC 14-37-9-1 et seq., to require such integration "upon reasonable terms that give the owner of each tract an equitable share of oil and natural gas in the unit or pool."

WHEREFORE, Petitioner respectfully moves the Division, after any such notice and hearing as may be required by law, to issue an "Order for the Integration of Interests" to effectuate the following:

- A. Integrate the Separately Owned Interests with all other leased interests in the Established Drilling Units as royalty owners upon the terms and conditions specified in the Operative Leases or on such other basis as the Division is just and reasonable;
- B. Designate Petitioner as the operator of the Established Drilling Units for the development and operation thereof; and
- C. Implement any further terms and provisions in accordance with the law of the State of Indiana that the Division may, in its discretion, deem desirable and proper.

Respectfully submitted,

PIONEER OIL COMPANY, INC.

By: Stephen T. Link  
Stephen T. Link, #9890-82  
1033 Mt. Pleasant Rd., Suite H  
Evansville, Indiana 47725  
Phone: (812) 423-8061  
Attorney for Petitioner

Date: 10-14-09

## **Exhibit A – Legal Description/Separately Owned Interests**

An undivided 35/120ths interest in and to the oil, gas and other hydrocarbons in, on or under the East Half of the Southwest Quarter (E ½ SW ¼) of Section 7, Township 8 South, Range 13 West, Posey County, Indiana, containing 80 acres, more or less.

## Exhibit B -- Oil and Gas Lease Form

### OIL AND GAS LEASE

Producers 88 Rev. B (1974) Ill., Ind., Mich.  
(PAID UP)

THIS AGREEMENT made this 27th day of August, 2008, between

Jillya Klotz Pangborn and Stephen J. Pangborn, her husband AND Sharon J. Klotz, single  
224 Fulton Blvd.  
Parma, Michigan 49269

herein called lessor (whether one or more), and Pioneer Oil Company, Inc. of RR4, Box 142B Lawrenceville, IL 62439 lessee.

WITNESSETH: 1. Lessor, for and in consideration of Ten & other valuable consideration Dollars (\$10.00 & OVC), in hand paid, the receipt of which is hereby acknowledged, and of the covenants and agreements hereinafter contained on the part of Lessee, has granted, demised, leased and let and by these presents does grant, demise, lease and let, exclusively unto Lessee for the purpose of exploring by geophysical and other methods, drilling and operating for and producing oil, liquid hydrocarbons, all gases, coalbed methane, and their constituent products, injecting gas, waters, other fluids and air into subsurface strata, laying pipelines, storing oil, building tanks, electric transmission lines, ponds, powers, roads and structures thereon to produce, save, take care of, treat, process, store and transport said oil, liquid hydrocarbons, gases, and their constituent products, together with the right of ingress and egress thereto or to other

land under lease to Lessee, the following described land in Posey County, State of Indiana, to wit:

POINT TOWNSHIP  
Sec. 7 T8S R13W: E/2SW (80 ac)

Further described in Deeds recorded in Deed Bk. 103 Pg. 359 and Deed Bk. 103 Pg. 352 in the Posey County Recorder's Office.

and containing 80 acres, more or less. It is intended hereby to include herein all lands and interest therein contiguous to or pertinent to the above described land and owned or claimed by Lessor. For the purpose of making any payment based on acreage, said land and its constituent parcels shall be deemed to contain the acreage above stated whether they actually contain more or less. This lease shall cover all the interest in said land now owned by or hereafter vested in Lessor, even though greater than the undivided interest (if any) described above.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of TWO (2) years from this date (called "primary term"), and as long thereafter as oil, liquid hydrocarbons, gas or their respective constituent products, or any of them is produced from said land or land with which said land is pooled; provided, however, that for injection purposes this lease shall continue in full force and effect only as to the subsurface strata or strata into which such injections are being made, together with such surface privileges as may be necessary or desirable to continue such injections.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, one-eighth of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipeline to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other products therefrom, the market value at the mouth of the well of one-eighth of the gas so sold or used, provided that on gas sold at the wells the royalty shall be one-eighth of the amount realized from such sale; and (c) if at any time while there is a gas well or wells on the above land (and for the purposes of this clause (c) the term "gas well" shall include wells capable of producing natural gas, coalbed methane, condensate, distillate or any gaseous substance and wells classified as gas wells by any governmental authority) such well or wells are shut in, and if this lease is not continued in force by some other provision hereof, then it shall nevertheless continue in force for a period of ninety (90) days from the date such well or wells are shut in, and before the expiration of any such ninety day (90-day) period, lessee or any assignee hereunder may pay or tender an advance annual royalty payment of One dollar (\$1.00) per acre, and if such payment or tender is made, this lease shall continue in force and it shall be considered that gas is being produced from the leased premises in paying quantities within the meaning of paragraph 2 hereof for one (1) year from the date such payment is made, and in like manner subsequent advance annual royalty payments may be made or tendered and this lease shall continue in force and it will be considered that gas is being produced from the leased premises in paying quantities within the meaning of said paragraph 2 during any annual period for which such royalty payment is so paid or tendered; royalty accruing to the owners thereof on any production from the leased premises during any annual period for which advance royalty is paid may be credited against such advance payment.

4. Lessee is hereby granted the right to pool or unitize this lease, the land covered by it, or any part thereof, with any other land, lease or leases or parts thereof, when in Lessee's judgement it is necessary or advisable to do so in order properly to develop and operate said premises in compliance with the spacing rules of any lawful authority, or when to do so would, in the judgement of Lessee, promote the conservation of the oil and gas in and under and that may be produced from said premises. Lessee shall execute in writing an instrument identifying and describing the pooled acreage. Such units may be designated either before or after the completion of wells. Drilling operations and production on any part of the pooled acreage shall be treated as if such drilling operations were upon or such production was from the land described in this lease, whether the well or wells be located on the land covered by this lease or not. The entire acreage pooled into a unit shall be treated for all purposes, except the payment of royalties on production from the pooled unit, as if it were included in this lease. In lieu of the royalties herein provided, lessor shall receive on production from a unit so pooled only such portion of the royalty stipulated herein as the amount of his acreage placed in the unit or his royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority, or when to do so would, in the judgement of Lessee, promote the conservation of the oil and gas in and under and that may be produced from said premises. To revise a unit hereunder, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly.

5. If, prior to discovery of oil, liquid hydrocarbons, gas, or their respective constituent products, or any of them, on said land or on land pooled therewith, lessee should drill and abandon a dry hole or holes thereon, or if, after discovery of oil, liquid hydrocarbons, gas or their respective constituent products, or any of them, the production thereof should cease from any cause, this lease shall not terminate if lessee commences additional drilling or reworking operations within sixty (60) days thereafter. If, at the expiration of the primary term, oil, liquid hydrocarbons, gas or their respective constituent products, or any of them is not being produced on said land or land pooled therewith but lessee is then engaged in operations for drilling, or reworking of any well or wells thereon, this lease shall remain in full force so long as such operations or said additional operations are commenced and prosecuted (whether on the same or successive wells) with no cessation of more than sixty (60) consecutive days, and, if they result in production, so long thereafter as oil, liquid hydrocarbons, gas or their respective constituent products, or any of them, is produced from said land or land pooled therewith. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within two hundred feet (200 ft.) of and draining the leased premises, lessee agrees to drill such other wells as a reasonably prudent operator would drill under the same or similar circumstances. The judgment of the lessee, when not fraudulently exercised, in carrying out the purposes of this lease shall be conclusive.

## Revised Exhibit C – Division of Ownership Interests

### Part A: Leased Interests

<u>Interest Holder</u>	<u>Type</u>	<u>Fraction</u>	<u>Decimal</u>
Irene Klotz 117 Candlewood Dr. Petaluma, CA 94954	RI	1/5 x 1/8	.025 000
Patricia A. Sharp 9200 Page Ave. Jackson, MI 49201	RI	1/30 x 1/8	.004 166
Vic R. Klotz 100 Beechmont Dr. Brooklyn, MI 49230	RI	1/120 x 1/8	.001 042
Jillyn Klotz Pangborn 224 Fulton Blvd. Parma, MI 49269	RI	1/15 x 1/8	.008 333
Sharon J. Klotz 222 Fulton Blvd. Parma, MI 49269	RI	1/15 x 1/8	.008 334
Patti Joe McPherson 612 Stoneledge Dr. Friendswood, TX 77546	RI	1/15 x 1/8	.008 333
Helen Jean Hargrove 2511 Rock Shoals Way Pearland, TX 77584	RI	1/15 x 1/8	.008 334
Wilfred Don Klotz 23645 Jase St. Plaquemine, LA 70764	RI	1/15 x 1/8	.008 333
Judy Klotz Graham 11 Zaragoza Way Hot Springs Village, AR 71709	RI	1/15 x 1/8	.008 334

Jon Barry Klotz 13 Hampton Dr. Evansville, IN 47715	RI	1/30 x 1/8	.004 166
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Roy Wayne Klotz 1800 Newton Ave. Evansville, IN 47715	RI	1/30 x 1/8	.004 167
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Pioneer Oil Company, Inc. R. R. 4, Box 142B Lawrenceville, IL 62439	WI	7/8 x 85/120	<u>.619 791</u>
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<b>Leased Sub-total</b>			<b>.708 333</b>
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**Part B: Unleased Interests – Locatable**

Henry D. Hargrove III 15702 Cavendish Houston, TX 77059		1/15	.066 667
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Luke A. Klotz 3996 Englewood St. Jackson, MI 49201		1/120	.008 333
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Kazumi I. Blackburn 2434 Badajoz Pl. Carlsbad, CA 92009		1/20	.050 000
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Edward I. Blackburn 2434 Badajoz Pl. Carlsbad, CA 92009		1/40	.025 000
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Sandra B. Jenson 2434 Badajoz Pl. Carlsbad, CA 92009		1/40	<u>.025 000</u>
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<b>Unleased Interests-Locatable Sub-total</b>			<b>.175 000</b>
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**Part C: Unleased Interests – Unlocatable**

William E. Klotz Last Known Address: League, TX	1/120	.008 333
Delia Klotz Davis Last Known Address: Jackson, MI	1/120	.008 334
Helen L. Blackburn Shobe Successors Deceased: June 23, 2000 Last Known Address: Las Cruces, NM	1/10	<u>.100 000</u>
<b>Unleased Interests-Unlocatable Sub-total</b>		<b>.116 667</b>

**Total:**

Leased	70.833%
Unleased-Locatable	17.500%
Unleased-Unlocatable	<u>11.667%</u>
	100.000%

In the event the Petition is granted and the unleased mineral interests, both locatable and unlocatable, are integrated on a lease basis with a 1/8<sup>th</sup> royalty, then the interest of Petitioner, Pioneer Oil Company, Inc., in the units would increase to a full 7/8ths of production and the interests of the unleased mineral owners specified in Parts B and C would be reduced to reflect their respective share of the 1/8<sup>th</sup> royalty, the latter, however, being cost-free interests.



## **Exhibit D – Contact Report**

The Separately Owned Interests are undivided severed mineral interests underlying the 80 acre "Klotz Heirs" tract. Petitioner has located and diligently attempted to obtain Oil and Gas Leases from 5 of the Non-Consenting Owners. Such efforts are detailed on the Landman Status Report attached hereto and incorporated herein by reference. The remaining 3 Non-Consenting Owners cannot be identified or located despite diligent effort on the part of Petitioner. Such efforts are likewise detailed on the attachment.

7-27-09

Status Report

Klotz Heirs Lease

Posey County Indiana, Point Township: Sec. 7 T8S R13W: The E/2SW (80 acres)

List of non-locatable Heirs of W.O. Klotz

William E. Klotz 1/120<sup>th</sup> interest

Last known address League,  
Texas. No listing, nothing  
found in Internet searches.

Delia Klotz Davis 1/120<sup>th</sup> interest

Last know address Jackson,  
Michigan. No listing, nothing  
found in Internet searches.

Helen L Blackburn Shobe,  
or her unknown Heirs, 1/10<sup>th</sup> interest

Last known address Dona  
Ana, New Mexico. No  
current listings, Social  
Security Death Index found  
on ancestry.com listing  
88001 Las Cruces, Dona  
Ana, NM as last residence  
Died June 23, 2000.

List of non-responsive Klotz Heirs of W.O. Klotz

Henry D. Hargrove III 1/15<sup>th</sup> interest  
15702 Carendish  
Houston, TX. 77059  
PH# 281-286-0759 home #  
PH# 832-818-0286 cell#

8-25-08 spoke w/  
Mrs. Hargrove, OK to  
send lease, ltr., etc.  
will discuss w/ sisters  
& Mr. Hargrove when he  
returns.  
9-5-08 Have info. no  
decision.  
9-19-08 Recovering from  
Hurricane Ike will try to get  
lease out soon.  
10-25-08 L.M. to C.B.  
11-20-08 L.M. to C.B.  
1-15-09 L.M. to C.B.  
5-19-09 L.M. to C.B.  
7-27-09 Called message  
machine full.

Kazumi I. Blackburn 1/20<sup>th</sup> interest  
Edward I Blackburn 1/40<sup>th</sup> interest  
Sandra B. Jenson 1/40<sup>th</sup> interest  
2434 Badajoz Pl.  
Carlsbad, CA. 92009  
PH# 760-436-7816

Luke A. Klotz 1/120<sup>th</sup> interest  
3996 Englewood St.  
Jackson, MI. 49201  
PH# 517-796-8736

4-23-09 Spoke w/ Mrs.  
Blackburn, she said send  
her sons and daughters lease  
along w/ hers to her address  
and they would look over  
papers.

5-7-09 Called Ed Blackburn  
L.M. to C.B.

5-19-09 Called Kazumi L.M.  
to C.B.

6-12-09 L.M. to C.B.

6-28-09 L.M. to C.B.

7-15-09 L.M. to C.B.

7-27-09 L.M. to C.B.

4-23-09 Called Mr. Klotz,  
OK to send lease, ltr. etc.

5-19-09 "Plan on getting  
lease out soon".

6-10-09 L.M. to C.B.

6-19-09 L.M. to C.B.

7-15-09 L.M. to C.B.

7-27-09 Called no message  
machine available.

*Ed [Signature], Landman*  
270-315-1976